dlmd

DECIMA

ONTARIO PROVINCE-WIDE STUDY

CONDUCTED FOR THE

ONTARIO TASK FORCE ON FINANCIAL INSTITUTIONS

by

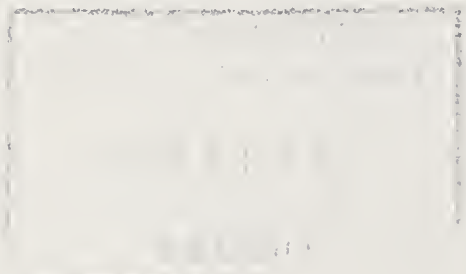
FINANCIAL ENVIRONMENT SERVICES,

DECIMA RESEARCH LIMITED

May 1985

For further information contact Greg White, Financial Environment Services, Decima Research Limited.

DECIMA RESEARCH LIMITED One Eglinton Avenue East, Toronto, Ontario, Canada M4P 3A1 (416) 483-1724



IX. SUMMARY

A. Perceptions of Security and Risk

- Ontarians are split as to whether they believe the funds they have in financial institutions are more secure (32%), less secure (33%), or as secure (35%) as they were 10 years ago.

- The main reason for perceptions of increased security relates to government support and insurance, while the central reason related to perceptions of decreased security relates to the recent performance of the economy in general.

- As was the case in November 1984, chartered banks are viewed as the most (93%) secure places to put money, followed by credit unions (68%), insurance companies (64%), trust companies (63%), and brokerage houses (36% -- confidence in safety of funds).

- Both insurance companies (November 1984 - 71%; June 1985 - 64%) and trust companies (November 1984 - 72%); June 1985 - 63%) have experienced losses in confidence over the last eight months.

- Banks are viewed as offering the lowest level of general risk (11% - very/somewhat risky), followed by credit unions (39%), trust companies (46%), insurance companies (47%), and brokerage houses (77%).

- The minority (43%) of Ontarians described themselves as "very/somewhat willing" to take risks when it comes to money matters in general.

- The vast majority (91%) believe that investing in the stock market is "very" (40%) or "somewhat" (51%) risky.

- To Ontarians, chartered banks are very acceptable on the basis of perceived risk; credit unions, trust companies, and insurance companies are viewed as acceptable on the basis of perceived risk, while the brokerage industry and the stock market are far from acceptable to the majority of Ontarians on the basis of risk.

- The banks (62% - excellent/good job) are viewed as doing the best job keeping personal financial information confidential, followed by trust companies (58%), credit unions (54%), insurance companies (53%), and brokerage houses (44%).

B. Regulatory Responsibility

- With the clear exception of credit unions (37%) at least the plurality of Ontarians feel that the federal government is in the best position to insure that banks (63% - federal government), insurance companies (52%), trust companies (50%), and brokerage houses (49%) operate in the best interest of the people of Ontario.

- When asked who has the responsibility for insuring the safety of money deposited with financial institutions in Ontario the responses were federal government (31%), institutions themselves (28%), Ontario government (20%), and the individual consumer (18%).

- Again with the exception of the credit unions (42%), the majority felt that the federal government <u>should</u> have the responsibility for regulating banks (74%), insurance companies (60%), trust companies (56%), and brokerage houses (56%).

C. Regulatory Changes and Perceived Implications

- A slim majority (58%) feel that due to events and the marketplace, some kind of changes to the regulation governing financial institutions are needed, while 41% feel that the institutions are operating quite well under the current set of regulations and that there is no need for a change.

- The 58% who felt change was appropriate were asked their preferences with regard to the nature of regulatory change. Their preferences were:

  - No more or no less, but different types of regulation (54%),
  - More regulation (38%), and
  - Less regulation (8%).

- The "one-stop shopping" argument as a rationale for regulatory change is supported by only 31% of Ontarians, while opposed by 61%.

- Ontarians believe that regulatory change will have two implications:

  . First, more competition, and
  . Second, enhanced stability.

- Amongst those that see no need for regulatory change:

  . The vast majority associate change with increased competition,

  . A slim majority associate regulatory change with enhanced stability, and

  . The majority see change as having no impact on the safety and security of funds, job security within the sector, the privacy of personal financial information, and the quality of services provided.

- In contrast, amongst those that see a need for regulatory change:

  . The majority associate change with enhanced stability, more competition, increased safety and security of funds, and a better quality of services, and

  . The majority see change as having no impact on job security or the privacy of financial information.

- Of the pillars the public is most likely to desire increased regulation over trust companies (44%) and insurance companies (44%), followed by brokerage houses (39%), credit unions (31%), and banks (28%). In fact, the plurality (32%) would prefer to see no change in the extent of regulation of the banks.

- The less confident the public is in the security of funds with a pillar, the more likely the public is to desire increased regulation of that institution.

- The public appear to evaluate the brokerage industry in a different fashion than the other institutions. That is, while considered twice as "risky" as any of the other pillars, the data do not reveal twice as many Ontarians wishing to see increased regulation of that pillar. Ontarians appear to view the brokerage industry as "risky" and "believe that is the way it should be."

- One of the barriers to less regulation or deregulation is the fact that the plurality of Ontarians feel that the main beneficiary of such regulatory change would be the financial institutions themselves.

- Less than 20% of Ontarians support allowing any of the pillars to provide "a lot more" services than they presently provide.

D. Deposit Insurance

- Funds in all the pillars, with the exception of brokerage houses are considered to be insured, by the majority of Ontarians -- knowledge with regard to the level of insurance is inaccurate.

- The vast majority (83%) of Ontarians feel all funds deposited, even amounts over $60,000, should be insured -- of that group, the majority (65%) feel the cost of insurance should be paid by the institution.

E. Usage and Attitudes Toward Independent Brokers

- Almost two in five (38%) Ontarians have purchased financial products through an independent broker -- usage is highly and positively related to income.

- The vast majority (79%) of those who have used an independent broker have a favourable overall image of brokers.

- Specific image analysis reveals that brokers are viewed as:

  - Providing very personal service (77%),
  - Offering expert advice (67%),
  - Offering the best rates (54%), while
  - Forty-three percent (43%) disagree that they do not provide an unbiased objective opinion on the products or services under consideration.

F. Ownership of Financial Institutions

- The majority of Ontarians believe there should be a limit to the amount of a banks (62%), trust company (64%), brokerage house (61%), insurance company (61%), or credit union (64%) that any one individual or company should be allowed to own.

- The public is split on whether it supports (49%) or opposes (51%) limiting foreign ownership of Canadian financial institutions.

- As well, Ontarians are split on whether they favour (53%) or oppose (47%) allowing organizations to own more than one type of financial institution -- support for cross-ownership is rooted in a "free enterprise" sentiment, while opposition flows from concerns about organizations becoming too powerful/monopolies.

A. SURVEY OVERVIEW

Decima Research is pleased to present to the Ontario Task Force on Financial Institutions the results for a study designed to meet the following objectives:

- To determine the levels of consumer confidence in the financial services industry and the underpinnings of that confidence;
- To identify consumer awareness of the current regulatory regime;
- To determine consumer attitudes towards the role of regulation within the industry by the federal and provincial governments;
- To determine current levels of consumer satisfaction with products and services offered within the current regulatory structure;
- To identify consumer attitudes toward the benefits or liabilities of the potential deregulation of the industry; and
- To determine the extent to which the "one-stop shopping" argument for deregulation is pillar or market-driven.

Senior Research Consultant and principal investigator for this study was Gregory J. White who was assisted in the various phases of research and analysis by Norman Brown.

1. Sample Selection

The population consists of all Ontario residents, 18 years of age or older. Male and female respondents were selected in the same proportion as the general population, on a 50/50 sex quota. A total of 800 interviews were completed.

Effective survey research must be based on a sample truly representative of the universe of interest. A multi-stage sampling technique was employed to gather the data for this study. The essential feature of this procedure is that individual respondents are predetermined by the selection procedure itself. That predetermination is made by careful speculation of a series of controlled choices.

The sampling technique produced a systematic random sample with probability of selection proportionate to size at the regional level. The first step in the sampling procedure was the division into five strata or "regions," i.e., East, North/Central, Southwest, Golden Horseshoe, and Metro Toronto.

Table A presents the percentage of the total population of Ontario represented in each region and the proportionate sample size and percentage in each.

Table A

SAMPLE STRATA

	SAMPLE (N)	SAMPLE %
REGIONS		
Southwest Ontario	88	11.0
Eastern Ontario	114	14.3
North/Central Ontario	200	25.0
Golden Horseshoe	196	24.5
Metro Toronto	202	25.3

Within each of these regions, a sampling procedure was employed which is based upon mapping the linkage between the geographic location of individual telephone exchanges and Statistics Canada's fundamental building block for the census -- the enumeration area (EA).

Telephone companies divide their service regions into smaller areas served by a single switching centre. Within each switching centre area, all telephone numbers begin with the same two digits. We refer to these mutually exclusive exchange areas as NNXs (NNX representing the first three digits of a telephone number). Using census data, together with maps showing the geographic boundaries of NNXs, it is possible to determine exact population figures for each NNX and determine the appropriate number of respondents to be surveyed in each NNX.

Primary sampling units (groups of NNXs) and secondary sampling units (individual NNXs) were selected on the basis of probability proportionate to population size. Telephone numbers were then generated using a computerized random number generation program employing random start and fixed interval methods.

2. Field Procedures

The questionnaires were printed, consecutively numbered, and assembled into field packs of five interviews -- two males and three females or two females

and three males. This procedure ensured that the 50/50 sex quota would be met by preselecting half males and half females before the interviewing began.

The interviews took place between May 13 and May 15, 1985. Weekday interviewing was conducted between the hours of 5:30 p.m. and 10:00 p.m. The questionnaire contained 82 questions and took approximately 28 minutes to complete. Fifteen percent (15%) of all interviews were monitored while in progress for procedure and content from an extension monitor. All interviews were carefully edited as soon as they were completed to ensure that no questions were omitted and that skip-patterns were followed correctly.

Experienced telephone interviewers were used to collect the data. A briefing was held by the Field Supervisor and the Research Assistant was present to answer questions or clarify procedures. The Field Supervisor first read the questionnaire to the interviewers, thereby ensuring that pronunciation would be correct and uniform, and secondly, interviewer-respondent role-playing was used to illustrate skip and rotation patterns. The interviewers then had an opportunity to ask questions.

On the first evening in the field, the Research Assistant listened to the interviewers on an extension monitor. The monitor prevents the interviewer and respondent from knowing they are being listened to. This ensured that the skip and rotation patterns were followed correctly and that there were no questions causing interviewers any particular difficulty. When an error was caught, the interviewer was briefed again and the respondent was called back in order to correct the questionnaire.

3. Coding

The questionnaires were coded and the data were entered by experienced Decima personnel. The following standard procedures were followed:

- An initial briefing;
- Supervision of trained staff; and
- Verification of 15% of each coder's work.

Using the first 25% of completed questionnaires in each stratum, codes were constructed for the open-end questions by sorting and writing out the responses into independent categories. The Research Assistant checked all categories for completeness and consistency.

4. Data Processing

The entry and processing of the data were carried out on-site using Decima's Digital PDP 11/44 computer. Decima's interactive software system, designed specifically for survey analysis, has a robust data entry facility, which permits cleaning of the data, including out-of-range values and skip-pattern errors, as well as other logic errors. The fully cleaned data were then summarized into aggregate tables. Further analysis of the data included crosstabulation tables, measures of association, regression analysis, and factor analysis.

5. Confidence Limits and Validation

The sample of 800 cases produces results which are accurate for the population of Ontario as a whole within $\pm$ 3.6 percentage points 95 out of 100 times.

In order to validate the sample, we compared our data for the age categories to the population figures provided by Statistics Canada. Table B outlines the percentage of respondents in each age category for the sample, and the corresponding population figures. As this figure suggests, the sample drawn for this study reflects the more general characteristics of the Ontario adult population.

It should be noted that age has been validated for Ontarians who are 18 years of age or older. As well, the sample is only representative of residents of Ontario who have direct dialing telephone services. Therefore, Ontarians who are accessible only by a telephone servicing a large number of people, such as senior citizen homes, hospitals, and Indian Reserves, and those who have only radio-telephone service or no telephone service at all, are automatically excluded from the sample. Any further questions the reader has about sampling should be referred to the Research Consultant.

While the most sophisticated procedures have been used to collect and analyze the information presented herein, it must be remembered that surveys are not predictions. They are designed to measure public opinion within identifiable statistical limits of accuracy at specific points in time. This survey is in no way a prediction of opinion or behaviour at any future point in time.

Table B

SAMPLE VALIDATION

	SAMPLE (n=800) %	UNIVERSE[1] (N=6,259,500) %
AGE		
18-24 Years	19	18
25-29 Years	15	12
30-34 Years	14	12
35-44 Years	22	17
45-54 Years	12	15
55-64 Years	12	13
65 Years or Older	6	14

[1]Adult population of Ontario. Source: 1981 Census of Canada Catalogue 92-901.